

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

RIVER ROUGE HOUSING COMMISSION

Financial Statements

June 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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River Rouge Housing Commission
180 Visger Rd.
River Rouge, MI 48218

Daryl Rush, Interim Director

As management of the River Rouge Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the River Rouge Housing Commission's financial activities for the FYE 6/30/07. This discussion and analysis letter of the River Rouge Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Overview of the Financial Statements

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities).

It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

River Rouge Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

River Rouge Housing Commission Management Discussion & Analysis, continued

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 6/30/07:

	<u>FYE</u> <u>6/30/07</u>	<u>FYE</u> <u>6/30/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Public Housing Operating Subsidy	652,540	591,464	61,076	10.33%
Capital Fund Program Grants	670,273	718,295	(48,022)	-6.69%
Sec. 8 Voucher	1,610,986	1,597,561	13,425	0.84%
Total	2,933,799	2,907,320	26,479	0.91%

The subsidy for Public Housing increased due to the full implementation of the new Operating Fund formula.

Capital Fund Program grants decreased due to the fact that work projects during FYE 6/30/07 progressed along at a much slower pace than the prior year, thus utilizing less of our Capital Fund Program funding in FYE 6/30/07 than in FYE 6/30/06.

Subsidy for Sec. 8 Voucher remained flat.

The following represents changes in the Balance Sheet:

	<u>FYE</u> <u>6/30/07</u>	<u>FYE</u> <u>6/30/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Cash & Investments	748,074	640,065	108,009	16.87%
Total Current Assets	997,622	835,491	162,131	19.41%
Fixed Assets, Net of Depreciation	5,611,660	6,093,512	(481,852)	-7.91%
Total Liabilities	294,711	195,052	99,659	51.09%
Total Equity/Net Assets	6,314,571	6,733,951	(419,380)	-6.23%

Cash and investments increased in the Public Housing Program in proportion to the operating income (excluding depreciation charges) posted by the Public Housing Program.

Total Current Assets increased mainly due to the increase in Cash; there was also a large increase in HUD accounts receivable as of 6/30/07 over 6/30/06.

Fixed Assets increased by \$186,060; this increase represents capital projects funded through the Capital Fund Programs. Although Fixed Assets increased by \$186,060, this was more than offset by depreciation charges resulting in the net decrease stated in the above table.

River Rouge Housing Commission Management Discussion & Analysis, continued

Total Liabilities increased. Accounts Payable increased due to the late receipt of invoices attributable to FYE 6/30/07. Payroll & Benefits payable increased due to the fact that the City had not yet billed us for employee benefits for the QE 6/30/07. And accrued liabilities increased because the City has not yet billed us for the pension cost of our only union employee, so we accrued the estimated cost of his pension for the entire fiscal year.

Total Net Assets is comprised of two components: Invested in Capital Assets, which mirrors the decrease in Fixed Assets, Net of Depreciation as explained above. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure increased in the Public Housing program due to the Operating Income generated by the Public Housing Program for FYE 6/30/07, but decreased in the Section 8 Voucher program due to a funding shortfall for FYE 6/30/07.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE</u> <u>6/30/07</u>	<u>FYE</u> <u>6/30/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues:				
Tenant Revenue	320,542	482,530	(161,988)	-33.6%
Other Revenue	38,064	20,312	17,752	87.4%
Total PHA generated Revenue	358,606	502,842	(144,236)	-28.7%
Operating Subsidies/Soft Cost Grant Revenue	2,750,339	2,568,760	181,579	7.1%
Capital Grants (Hard costs)	183,460	338,560	(155,100)	-45.8%
Total Revenue	3,292,405	3,410,162	(117,757)	-3.5%
Expenses:				
Administrative	520,068	679,338	(159,270)	-23.4%
Tenant Services		3,944	(3,944)	-100.0%
Utilities	230,819	221,150	9,669	4.4%
Maintenance	554,140	533,520	20,620	3.9%
General	138,616	104,434	34,182	32.7%
Casualty Losses	26,516	48,946	(22,430)	-45.8%
Housing Assistance Payments	1,573,714	1,607,091	(33,377)	-2.1%
Depreciation	667,912	645,124	22,788	3.5%
Total Expenses	3,711,785	3,843,547	(131,762)	-3.4%
Net Increase (Decrease)	(419,380)	(433,385)		

River Rouge Housing Commission Management Discussion & Analysis, continued

Revenues:

River Rouge Housing Commission's primary revenue sources are subsidies and grants received by HUD. For FYE 6/30/07, revenue generated by the Commission accounted for \$358,606 (or 11% of total revenue), while HUD contributions accounted for \$2,933,799 (or 89% of total revenue). Tenant revenue dropped by over 33%. The cause for this is two-fold:

1. During FYE 6/30/07, we had increased vacancies over the previous year due to both high turnover, but also due to both fires and several sewer back-ups that required evacuation of the units.
2. Due to the continuing economic downturn in Michigan, our average tenant dropped from \$140.35 PUM in FYE 6/30/06 to \$96.23 for FYE 6/30/07. Almost one-third of our residents are now negative renters.

Expenses:

Total Expenses for FYE 6/30/07 were \$3,711,785 while for FYE 6/30/06 the total was \$3,843,547. This represents a 3.4% overall decrease in our Operating Costs. Some items to note are as follows:

Administrative costs decreased due to the elimination of an Executive Director position. This position remains vacant at this time due to hiring issues. We also were able to decrease the inflated sundry administrative costs that we had incurred under the previous Executive Director whose employment was terminated by the Board of Commissioners.

General costs increased due to the rising cost of Property and Liability insurance, reflecting the number of claims filed.

Budget Analysis:

A Low Rent Public Housing Operating Budget for FYE 6/30/07 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Entity-Wide Operational Highlights:

The River Rouge Housing Commission provided the following housing for low-income elderly and low-income families:

	FYE 6/30/07	FYE 6/30/06
Public Housing	300	300
Sec. 8 Voucher	249	249

River Rouge Housing Commission Management Discussion & Analysis, continued

During FYE 6/30/07, River Rouge Housing Commission maintained a lease-up rate of 92.5% in its Public Housing Program and a lease-up rate of 96.6% (based on units) in its Section 8 program. If the Section 8 utilization is looked at through HAP funding, we spent more than 100% of HAP dollars allocated for the fiscal year. We are working to increase our lease-up rate in Public Housing.

During FYE 6/30/07, our Capital Fund Program work projects included:

1. Office furniture and equipment replacement
2. Computer system upgrades
3. Emergency sewer replacements
4. Purchase of appliances for dwelling units
5. Landscaping upgrades
6. Security system upgrades

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

The Housing Commission is very concerned about the effect of the Project-Based Management and Accounting requirements on a Commission of our size. We feel that the threshold of 250 units is too low to impose Project-Based Management and Accounting. After attending training, we feel that Project Based Management can make sense at larger authorities (500+ units), but simply does not make sense to impose these onerous regulations on a Housing Commission of our size. We only exceed the threshold by 50 units. It will cost us more to operate our Public Housing Program on a decentralized basis than the economically efficient centralized agency-wide basis as we operate today. In our view, the conversion to Asset Management is essentially an unfunded mandate. And, given the current trend of federal budget cutting and the trend in limiting funding for Operating Subsidy in recent years, we will likely receive fewer subsidy dollars in the future but be expected to do substantially more with it to comply with Project-Based regulations. Although we have been relieved of the mandated conversion to Project Based Management for 2008, this relief has not been written into law permanently, and we may be subject to these costly regulations beginning 7/1/08.

A fundamental finding of the Harvard Cost Study, upon which the regulations governing Project Based Management are based, is that Public Housing Agencies have been, and continue to be, woefully underfunded by HUD. Yet, due to the federal budget crunch, HUD continues to only pay us only a portion of the subsidy that we are entitled to. So, to begin with, the subsidy at full eligibility is considered by the Harvard Cost Study to be insufficient; on top of that, HUD only pays us a portion of that figure. The conversion to Project Based Management will be costly, and it will be costly to maintain our Commission under Project Based Management. We will be less efficient. Inevitably, cuts in services to our residents will have to be made.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Daryl Rush, Interim Director
River Rouge Housing Commission
180 Visger Rd.
River Rouge, MI 48218

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
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Board of Commissioners
River Rouge Housing Commission
180 Visger Road
River Rouge, Michigan 48218

Independent Auditor's Report

I have audited the financial statements of the River Rouge Housing Commission Business Type Activities as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the River Rouge Housing Commission's business activities as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 20, 2008, on my consideration of the River Rouge Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

March 20, 2008

RIVER ROUGE HOUSING COMMISSION
Statement of Net Assets
June 30, 2007

ASSETS

C-3031

CURRENT ASSETS

Cash	\$	748,074	
Accounts Receivable, net of allowance for doubtful accounts 49,879)		16,140	
Accounts Receivable- Other		108,420	
Prepaid Expenses		<u>124,988</u>	
 Total Current Assets			\$ 997,622

NON CURRENT ASSETS

Land	\$	341,343	
Buildings		3,441,197	
Furniture, Equipment- Dwellings		182,538	
Furniture, Equipment- Administrative		275,258	
Construction in Progress		8,281,658	
Accumulated Depreciation		<u>(6,910,334)</u>	
 Total Non Current Assets			<u>5,611,660</u>

<u>TOTAL ASSETS</u>	\$	<u>6,609,282</u>
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RIVER ROUGE HOUSING COMMISSION
Statements of Net Assets
June 30, 2007

LIABILITIES

C-3031

CURRENT LIABILITIES

Accounts Payable	\$	50,891	
Accrued Liabilities		23,185	
Accrued Compensated Absences		6,362	
Tenants Security Deposit		51,725	
Deferred Revenue		9,267	
Other Current Liabilities		<u>96,023</u>	
<u>Total Current Liabilities</u>	\$		237,453

NONCURRENT LIABILITIES

Compensated Absences-noncurrent		<u>57,258</u>	
<u>Total Liabilities</u>	\$		294,711

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	5,611,660	
Unrestricted Net Assets		<u>702,911</u>	
<u>Total Net Assets</u>			<u>6,314,571</u>
<u>Total Liabilities and Net Assets</u>	\$		<u>6,609,282</u>

The Accompanying Notes are an Integral part of the Financial Statements

RIVER ROUGE HOUSING COMMISSION
Combined Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended June 30, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$ 299,957
Tenant Revenue-Other	20,585
HUD Grants	2,750,339
Interest Income	26,578
Other Income	<u>14,608</u>
<u>Total Operating Revenue</u>	\$ 3,112,067

OPERATING EXPENSES

Administrative	\$ 520,068
Utility Expenses	230,819
Ordinary Maintenance	554,140
General Expenses	138,616
Housing Assistance Payments	1,576,836
Depreciation Expenses	<u>667,912</u>
<u>Total Operating Expenses</u>	<u>3,688,391</u>
<u>Operating Income (Loss)</u>	\$ (576,324)

NONOPERATING REVENUE (EXPENSES)

Casualty Losses	\$ <u>(26,516)</u>
<u>Total NonOperating Revenue (Expenses)</u>	<u>(26,516)</u>
<u>Income (Loss) before Contributions</u>	\$ (602,840)

CAPITAL CONTRIBUTIONS 183,460

<u>Changes in Net Assets</u>	\$ (419,380)
Total Net Assets- Beginning	<u>6,733,951</u>
Total Net Assets- Ending	\$ <u>6,314,571</u>

The Accompanying Notes are an Integral part of the Financial Statements

RIVER ROUGE HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended June 30, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 326,010
Payments to Suppliers	(2,781,274)
Payments to Employees	(225,652)
HUD Grants	2,933,799
Other Receipts (Payments)	<u>41,186</u>
Net Cash Provided (Used) by Operating Activities	\$ 294,069

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(186,060)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 108,009
Balance- Beginning of Year	<u>640,065</u>
Balance- End of Year	\$ <u>748,074</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (419,380)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	667,912
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(48,269)
Prepaid Expenses	(5,853)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	20,982
Accrued Liabilities	67,405
Compensated Absences	2,147
Security Deposits	3,345
Deferred Revenue	<u>5,780</u>
Net Cash Provided by Operating Activities	\$ <u>294,069</u>

The Accompanying Notes are an Integral part of the Financial Statements

RIVER ROUGE HOUSING COMMISSION
Notes to Financial Statements
June 30, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

River Rouge Housing Commission, River Rouge, Michigan, (Commission) was created by ordinance of the city of River Rouge. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 8-1, 4	Low rent program	300 units
MI 28V 008	Section 8 Vouchers	249 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. The Financial Data Schedule lists all the programs of the Reporting Entity including component units should they exist, as defined above. Based on the above criteria, no component units exist.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not interfere with Government Accounting Standards Board, (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed; all Interfund activity on the financial data schedule (FDS) have been eliminated on the upper level financial statements.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	15-40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Notes to Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 747,874
Petty Cash	<u>200</u>
Financial Statement Total	<u>\$ 748,074</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 748,074	\$	\$	\$ 748,074	\$ 747,874
Petty Cash	<u>200</u>	<u></u>	<u></u>	<u>200</u>	<u>200</u>
Total Cash	<u>\$ 748,074</u>	<u>\$</u>	<u>\$</u>	<u>\$ 748,074</u>	<u>\$ 748,074</u>

Note 3: Accounts Receivable (net)

Accounts receivable (net) consists of the following:

Accounts Receivable- HUD	\$ 103,044
Accounts Receivable- Miscellaneous	<u>5,376</u>
Financial Statement Total	<u>\$ 108,420</u>

Note 4: Prepaid Expenses

Prepaid expenses consists of the following:

Prepaid Insurance	<u>\$ 124,988</u>
-------------------	-------------------

Notes to Financial Statements- continued

Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 341,343	\$	\$	\$ 341,343
Buildings	3,441,197			3,441,197
Furniture & Equipment-Dwellings	160,424	22,114		182,538
Furniture & Equipment-Admin	249,075	26,183		275,258
Leasehold Improvements	<u>8,143,895</u>	<u>137,763</u>		<u>8,281,658</u>
	\$12,335,934	\$ 186,060	\$	\$12,521,994
Less Accumulated Depreciation	<u>6,242,422</u>	<u>667,912</u>		<u>6,910,334</u>
	<u>\$ 6,093,512</u>	<u>\$ (481,852)</u>	<u>\$</u>	<u>\$ 5,611,660</u>

Note 6: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Wages & Benefits	\$ <u>23,185</u>
Accrued Liabilities-Other	
Accrued Utilities	\$ 26,968
Accounts Payable-River Rouge Payroll Benefits	<u>69,055</u>
	<u>\$ 96,023</u>

Note 7: Retirement.

The Commission participates in the pension plan for the City of River Rouge. The Commission contributes a percentage of eligible employees wages to a qualified pension plan. Statistics of the plan and statistical data are contained in a separate report provided by the city.

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 9: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Notes to Financial Statements- continued

Note 10:Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 25,311,000
General Liability	3,000,000
Automobile Liability	1,000,000
Dishonesty Bond	2,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 11:Subsequent Event

The Commission experienced a loss of insurance coverage from the period of July 2007 to November 2007. The insurance carrier notified the Commission it was dropping coverage; the company alleged recent claims forced the cancellation. The Commission surveyed a number of insurance companies before finding coverage.

Note 12:Contingent Liability

The Commission was notified in August 2007 that a portion of the agreed upon lawsuit settlement under the Whistle-Blowers Act must be paid by the Commission. A former employee brought a suit which was settled out of court between the Commission and their insurance carrier; the Commission's portion of the settlement is \$ 80,000. The Commission forwarded the claim to the U. S. Department of Housing and Urban Development (HUD) for authorization to pay the notice. A second request was received on February 26, 2008 to pay; to date the Commission has not received any instructions from HUD concerning the ultimate resolution of this matter.

Bay City Housing Commission

30-Sep-07

MI024

Combining Balance Sheet		Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	4,081,623	455,861	-	4,537,484
112	Cash - restricted - modernization and developmen	126,489			126,489
113	Cash - other restricted				-
114	Cash - tenant security deposits	116,422	31,946		148,368
100	Total cash	4,324,534	487,807	-	4,812,341
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects	-			-
122	Accounts receivable - HUD other projects	30	-	8,508	8,538
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous	-	-		-
126	Accounts receivable- tenants - dwelling rents	12,476	1,715		14,191
126.1	Allowance for doubtful accounts - dwelling rents	(8,132)	(1,067)		(9,199)
126.2	Allowance for doubtful accounts - other				-
127	Notes and mortgages receivable- curren				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful account	4,374	648	8,508	13,530
	Current investments				-
131	Investments - unrestricted	-			-
132	Investments - restricted				-
142	Prepaid expenses and other assets	94,429	5,991		100,420
143	Inventories	70,786	11,519		82,305
143.1	Allowance for obsolete inventories	(2,124)	(264)		(2,388)
144	Interprogram - due from	8,508	-	-	8,508
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	4,500,507	505,701	8,508	5,014,716
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	1,539,701	258,765		1,798,466
162	Buildings	7,533,845	3,690,378		11,224,223
163	Furniture, equipment & machinery - dwellings	1,458,817	653,636	38,158	2,150,611
164	Furniture, equipment & machinery - administrati	417,501	124,372	-	541,873
165	Leasehold improvements	12,375,096	3,262,611	253,826	15,891,533
166	Accumulated depreciation	(15,124,850)	(4,952,806)	-	(20,077,656)
160	Total fixed assets, net of accumulated depreciator	8,200,110	3,036,956	291,984	11,529,050
171	Notes and mortgages receivable - non-curren				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	8,200,110	3,036,956	291,984	11,529,050
190	TOTAL ASSETS	12,700,617	3,542,657	300,492	16,543,766

	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	49,888	24,248		74,136
313	Accounts payable > 90 days past due		-		-
321	Accrued wage/payroll taxes payable	28,015	4,027		32,042
322	Accrued compensated absences	7,837	1,121		8,958
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs	-	-		-
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	76,928	-	-	76,928
341	Tenant security deposits	116,423	31,946		148,369
342	Deferred revenues	3,150	552		3,702
343	Current portion of Long-Term debt - capital projects	106,566			106,566
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	-			-
347	Inter-program - due to	-	-	8,508	8,508
310	TOTAL CURRENT LIABILITIES	388,807	61,894	8,508	459,209
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects	3,131,480			3,131,480
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	-			-
350	TOTAL NONCURRENT LIABILITIES	3,131,480	-	-	3,131,480
300	TOTAL LIABILITIES	3,520,287	61,894	8,508	3,590,689
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	8,200,110	3,036,956	291,984	11,529,050
	Reserved fund balance:				-
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	980,220	443,807		1,424,027
513	TOTAL EQUITY	9,180,330	3,480,763	291,984	12,953,077
600	TOTAL LIABILITIES AND EQUITY	12,700,617	3,542,657	300,492	16,543,766

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River Rouge Housing Commission

30-Jun-07

MI008

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Line Item #				-	
	REVENUE:	-	-		
703	Net tenant rental revenue	299,957			299,957
704	Tenant revenue - other	20,585			20,585
705	Total tenant revenue	320,542	-	-	320,542
706	HUD PHA grants	652,540	1,610,986	670,273	2,933,799
708	Other government grants				-
711	Investment income - unrestricted	11,001	15,577	-	26,578
712	Mortgage interest income				-
714	Fraud recovery		6,245		6,245
715	Other revenue	8,363	-	-	8,363
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restrictec				-
700	TOTAL REVENUE	992,446	1,632,808	670,273	3,295,527
	EXPENSES:				
	Administrative				
911	Administrative salaries	82,043	72,510	71,099	225,652
912	Auditing fees	6,700	-		6,700
913	Outside management fees				-
914	Compensated absences	2,147			2,147
915	Employee benefit contributions- administrative	81,738	35,500	8,240	125,478
916	Other operating- administrative	126,856	31,727	1,508	160,091
	Tenant services				
921	Tenant services - salaries	-		-	-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services	-		-	-
924	Tenant services - other	-			-
	Utilities				
931	Water	170,846			170,846
932	Electricity	24,758			24,758
933	Gas	35,215			35,215
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	-			-
942	Ordinary maintenance and operations - materials & other	20,338		-	20,338
943	Ordinary maintenance and operations - contract costs	281,221		252,581	533,802
945	Employee benefit contributions- ordinary maintenance	-			-
	Protective services				

[illegible]

RIVER ROUGE HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

Annual Program
Expenditures

* CFDA 14.850 Public and Indian Housing

C-3031 Operating Subsidies \$ 652,540

* CFDA 14.871 Housing Assistance Program

C-3131 Section 8 Housing Choice Program \$ 1,610,986

* CFDA 14.872 Capital Projects Funds

C-3031 Capital Projects Program \$ 670,273

\$ 2,933,799

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

*Connotes Major Program Category

RIVER ROUGE HOUSING COMMISSION
Status of Prior Audit Findings
June 30, 2007

The prior audit of the River Rouge Housing Commission for the period ended June 30, 2006, contained four audit findings; the following represents the status of those findings:

- 1) Tenant Accounting Discrepancies- Section 8; Tests of files did not reveal any discrepancies as reported in the prior audit period- the finding remains open with HUD pending a review of the program.
- 2) Excessive Accounts Receivable- The Commission's tenant accounts receivable appear to be at a reasonable level as compared to prior years; HUD suggested the Commission hire a collection agency to increase the collection efforts- see finding 7-2 concerning this issue.
- 3) Tenant Accounting Discrepancies- Low Rent Program; A test of files did not reveal any discrepancies as reported in the prior audit period- HUD has considered this finding as closed.
- 4) Confirmatory Review- The Commission's financial indicators have improved to the point that they are no longer considered troubled; HUD has closed this finding as of August 2007.
- 5) Tier II Comprehensive Review- HUD considers this finding to remain open until a complete response is received from the Commission- the Commission has submitted a response which has not been addressed by HUD as of the date of this audit.
- 6) Personal Use of Cell Phones- The Commission removed cell phones from the employees; HUD has considered this finding as closed.
- 7) Credit Card Abuse- The credit cards in question have been discontinued; HUD has considered this finding closed.
- 8) Payroll Discrepancies- As required under zero threshold, the Commission submits all payroll documentation to the HUD field office; HUD has closed this finding.
- 9) Management Assessment for Public Housing Agencies Discrepancies- HUD has considered this finding closed.
- 10) Contracts not Properly Procured- Duties required for procurement has been transferred to the Procurement Officer- HUD has considered this finding closed.

RIVER ROUGE HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
June 30, 2007

I have audited the financial statements of the River Rouge Housing Commission of River Rouge, Michigan, as of and for the year ended June 30, 2007, and have issued my report thereon dated March 20, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the River Rouge Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
March 20, 2008

RIVER ROUGE HOUSING COMMISSION
Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133
June 30, 2007

Compliance

I have audited the compliance of the River Rouge Housing Commission of River Rouge, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, except as noted below, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Low Rent Public Housing:		
Waiting List Discrepancies	07-1	Eligibility
Repayment Agreements & Collection Efforts	07-2	Program Income
Inspection Inefficiencies	07-3	None
Community Service Tracking	07-4	Eligibility
Housing Choice Vouchers:		
SEMAP not Submitted	07-5	Reporting

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the deficiencies in internal control over compliance as described above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

River Rouge Housing Commission's response to the findings identified in my audit are described in the accompanying schedule of findings and question costs. I did not audit River Rouge Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of, management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
March 20, 2008

RIVER ROUGE HOUSING COMMISSION
Schedule of Findings and Questioned Cost
June 30, 2007

1) Summary of Auditor's Results:

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Section 8 Housing Choice Vouchers	X	
Capital Projects Fund	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted _____ Yes X No

Control Deficiency (ies) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted _____ Yes X No

Control Deficiency (ies) noted X Yes _____ No

Non Compliance material to financial statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did not qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	Yes	None	07-1; 07-2; 07-3; 07-4
Housing Choice Vouchers	Yes	None	07-5
Capital Projects Fund	Yes	None	N/A

RIVER ROUGE HOUSING COMMISSION
Schedule of Findings, Recommendations and Replies
June 30, 2007

The following finding of the River Rouge Housing Commission, for the year ended June 30, 2007, were discussed with the Acting Director, Daryl Rush, in an exit interview conducted February 29, 2008.

7-1: Waiting List Discrepancies.

The Commission has a waiting list, however, the order has been changed and some applicants have been housed out of order.

Recommendation

The waiting list had approved preferences, then the board elected to drop all preferences- later, some of the preferences were re-instated. The changes in preferences happened over approximately a year; however, the waiting list became unmanageable. Applicants were moved on the list according to the rules at the time- some appear to have been housed out of order once the preferences and application dates have been determined.

The current waiting list is difficult to follow since it has not been updated in the computer system, but rather, has notes written on an older version the computerized list.

I recommend the Commission assign the responsibility for the waiting list to a staff person and make them responsible for updating the list on the computer system; before an applicant is contacted for a unit all applicants should be entered into the system- in that way no applicant will be housed out of order.

Reply

Management of the waiting list has become a confusing and frustrating effort between the 2 staff members who currently share that responsibility. While one person takes in all applications and enters them into the computer, the other person actually conducts all updates and pull the names from the waiting list for screening. The River Rouge Housing Commission will review the qualifications for the displacement preference and make the necessary corrections to the list if needed. Also, we will use one staff person to manage all the duties of maintaining the waiting list, have that person develop a waiting list log indicating the name, date of application, bedroom size and date entered into the computer system. Once this log is developed we will make sure that all applications will be entered into the computer by the close of business (COB) every Friday. A waiting list will be ran at the end of each week to verify that all applications are in the computer system, and a file will be kept weekly as proof.

7-2: Repayment Agreements and Vacated Accounts.

The Commission has a number of residents that have left owing balances to the Commission; the Commission has not pursued collection of past due balances.

Recommendation

A number of Repayment Agreements have been allowed to lapse; vacated accounts owing the Commission have not been actively pursued- I recommend the Commission exhaust all collection efforts of current and past accounts. Collection agencies should be used once all other collection efforts have been exhausted.

Reply

The River Rouge Housing Commission will process all lapsed repayment agreements for immediate collection or eviction. We are in the process of hiring a Collection Agency to pursue all that are collectible. We will write off all uncollectible accounts before year ends, June 30, 2008.

7-3: Inspection Inefficiencies.

The Commission had a problem conducting inspections timely; now the inspections have been done, however, the method to record the inspections involves duplicating steps.

Recommendation

The following represents how the inspections are being recorded; first the inspection form is completed manually, then the form is entered into the computer system for PHAS tracking, then a hand written log describing the inspections is made, a second hand written log is prepared to demonstrate the inspection has been completed, and finally, the original inspection form is filed.

The entire process has hand-cuffed the Commission to a series of manual and computerized reports involving staff time to prepare and file. The written log was mandated by HUD as a result of the Commission not conducting timely inspections; however, the current system is very inefficient and time consuming.

I recommend the Commission eliminate some of the duplicating steps; a system that satisfies both the Commission's needs and HUD's desire to insure proper tracking could be designed. The Commission needs to review the entire process, propose a tracking system to HUD, and become more efficient in meeting this requirement.

Reply

We have hired an inspector to conduct all of our inspections in a timely manner. I do agree with the auditor's finding that the process has become far too cumbersome with staff making repeated and duplicated efforts to ensure that the inspections are properly verified in all required areas (inspection initial date, pass or fail designation, work orders for failed inspections,, re-inspection dates and, final completion dates). This will be an easy fix because we already have a computer system capable of creating all the inspections reports that we need. We will make use of our computer system to input all information there and eliminate all the hand written logs that are currently used,

7-4: Community Service Tracking.

The Commission properly documents when a resident needs to perform Community Service in the tenant file; however, no follow-up of the services being performed is documented.

Recommendation

The Commission needs to follow-up on Community Service requirements. Currently, the tenant is notified during the re-examination that the requirement is warranted, however, has not developed a system to track whether the tenant has performed the required services.

I recommend the Commission implement a system to track which tenants are required to do community service and then require the documentation of the completion.

Reply

Community Service Tracking has been a confusing subject for all staff as far as how do we correctly document and track the services. All tenants are notified of their requirements at lease-ups and recertifications, and they are told to bring proof of the service each month. We have a community service report in our computer system, so we will make good use of it and develop a tracking system in which we can verify each month the residents who are required to do the service and whether or not they are actually doing it. For those who fail to complete the required 8 hours of community service, they will be notified of their failure to do so and will be given a Termination of Tenancy (30-day notice) for eviction.

7-5: SEMAP report not Submitted.

The Commission completed the SEMAP indicators, however, failed to submit it timely.

Recommendation

The Commission has a requirement to complete required forms and submit them to HUD in a timely manner; the required Section Eight Management Assessment Program is required to be submitted 60 days after the end of the fiscal year. The Commission had accumulated the data but failed to submit it timely.

I recommend the Commission complete all required forms and submit them timely.

Reply

The Section 8 Coordinator and I did complete the SEMAP indicators but simply forgot to submit them by August 29, 2007. We have since been designated as a troubled Section 8 Housing agency and will receive remedial action through a Confirmatory Review to be conducted by The Nelrod Company. We have been notified that they will conduct the review the week of March 31, 2008 through April 4, 2008. We will comply with all their recommendations for corrections while at the same time we will make sure that the SEMAP report will be submitted within 60 days after the end of our fiscal year.